

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 CEA-01 COME-00 EB-08 FRB-03 STR-05
TRSE-00 LAB-04 SIL-01 OMB-01 OPIC-03 AGRE-00 AF-10
IO-13 /113 W

-----097519 191632Z /46

R 191533Z DEC 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4117
INFO AMEMBASSY LISBON
AMEMBASSY PARIS
AMEMBASSY MADRID

C O N F I D E N T I A L SECTION 01 OF 03 BONN 20917

E.O. 11652: GDS
TAGS: PGOV, GW, PO
SUBJECT: PRESIDENT EANES' VISIT TO FRG

REFS: (A) LISBON 9551; (B) BONN 20684; (C) LISBON 9388

SUMMARY: PORTUGUESE PRESIDENT EANES EMPHASIZED TO HIS
GERMAN INTERLOCUTORS THAT THE PRESENT DIFFICULTIES IN
PORTUGAL REFLECTED A GOVERNMENT CRISIS, NOT A STATE
CRISIS. HE PLANS TO ATTEMPT A SOLUTION TO PORTUGAL'S
CURRENT DIFFICULTIES VIA A THREE-STEP PROCESS:
AGREEMENT ON A POLITICAL PLATFORM, FORMATION OF A
GOVERNMENT, AND FINALLY, SOLUTION OF ECONOMIC PROBLEMS.
THE GERMANS, BOTH PUBLICLY AND PRIVATELY, WARMLY
APPLAUDED PORTUGAL'S EFFORTS AND REITERATED GERMAN
SUPPORT FOR PORTUGAL'S ENTRY INTO THE EC. BOTH SIDES
AGREED THAT AFTER JOINING THE EC, PORTUGAL WOULD
REQUIRE A LONG PERIOD OF ADJUSTMENT (POSSIBLY 10 YEARS
OR MORE.) END SUMMARY.

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1. AS REPORTED REFTELS, PORTUGUESE PRESIDENT EANES CUT
HIS GERMAN VISIT SHORT BY ABOUT 12 HOURS. NEVERTHELESS,
FROM THE GERMAN POINT OF VIEW, HE MISSED NO IMPORTANT
PART OF HIS PROGRAM. HE MET AS SCHEDULED (REF C) WITH
CHANCELLOR SCHMIDT, PRESIDENT SCHEEL, MINISTER OF
DEFENSE LEBER, AND WITH REPRESENTATIVES OF
LABOR UNIONS AND INDUSTRY.

2. ACCORDING TO OUR FOREIGN OFFICE CONTACTS, EANES' PRINCIPAL THEME WITH ALL OF HIS INTERLOCUTORS WAS THAT THE CURRENT DOMESTIC DIFFICULTIES IN PORTUGAL REFLECTED A GOVERNMENT NOT A STATE CRISIS. HE PORTRAYED SUCH DIFFICULTIES AS NORMAL FOR ANY DEMOCRACY. HE WANTED HIS TRAVEL OUTSIDE PORTUGAL TO DEMONSTRATE THAT THE SITUATION IN THE COUNTRY WAS COMPLETELY STABLE.

3. EANES OUTLINED TO SCHEEL AND SCHMIDT HOW HE PLANNED TO GO ABOUT FORMING A NEW GOVERNMENT. HE SAID HE WOULD TAKE HIS TIME AND CONSULT WITH ALL IMPORTANT POLITICAL PARTIES AND SOCIAL GROUPS IN ORDER TO ARRIVE AT A POLITICAL PLATFORM WHICH COULD COMMAND BROAD SUPPORT. HE WOULD NOT RUSH THIS PROCESS AND WOULD NOT BE DISAPPOINTED IF NOTHING WOULD BE ACCOMPLISHED BEFORE MID-JANUARY. AS EXPECTED, THE JOB WAS PROVING TO BE DIFFICULT SINCE PORTUGAL'S POLITICAL PARTIES WERE QUITE INDEPENDENT AND GENERALLY UNWILLING TO COMPROMISE FOR FEAR OF LOSING THEIR OWN IDENTITIES. IN ADDITION, MANY IDEOLOGICAL PROBLEMS AND PERSONAL FEUDS HAD TO BE OVERCOME. NEW ELECTIONS, HE SAID, WOULD ONLY BE CONSIDERED AS A LAST RESORT. NEW ELECTIONS WOULD NOT IMPROVE THE POSSIBILITIES FOR COMPROMISE AND WOULD SUBSTANTIALLY INCREASE THE TIME PORTUGAL WOULD SPEND
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WITHOUT A NEW GOVERNMENT.

4. AFTER A BROADLY-BASED PROGRAM IS AGREED UPON, EANES SAID HE WOULD GO ABOUT FORMING A GOVERNMENT IN SUPPORT OF THAT PROGRAM. IT WOULD THEN BE THE NEW GOVERNMENT'S OBJECTIVE TO DEAL WITH PORTUGAL'S ECONOMIC PROBLEMS ON THE BASIS OF THE PROGRAM PREVIOUSLY AGREED TO. EANES WAS FIRM IN HIS OPINION THAT PORTUGAL'S ECONOMIC DIFFICULTIES CANNOT BE SOLVED BY ANOTHER MINORITY GOVERNMENT.

5. BECAUSE OF THE STATE OF FLUX IN PORTUGUESE INTERNAL POLITICS, DISCUSSIONS WITH EANES REMAINED GENERAL. FOLLOWING ARE THE MAJOR POINTS COVERED IN THESE TALKS:

-- NATO: EANES WELCOMED THE BUNDESTAG BUDGET COMMITTEE'S FAVORABLE DECISION (DECEMBER 7) ON TANKS FOR PORTUGAL. EANES' TALKS WITH DEFENSE MINISTER LEBER WILL BE REPORTED SEPTEL. WHILE IN KIEL, EANES VISITED MILITARY INSTALLATIONS AND SPENT SEVERAL HOURS ABOARD A GERMAN DESTROYER.

-- EC: IN PUBLIC SPEECHES, BOTH CHANCELLOR SCHMIDT AND
PRESIDENT SCHEEL REPEATED FRG SUPPORT FOR PORTUGAL'S

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ENTRY INTO THE EC AND PRAISED PORTUGAL'S DECISION
VIS-A-VIS EUROPE. IN PRIVATE TALKS, BOTH SIDES AGREED
THAT PORTUGAL WOULD NEED A LONG PERIOD OF ADJUSTMENT
AFTER JOINING. (CURRENT FOREIGN OFFICE THINKING IS
THAT PORTUGAL WILL REQUIRE AT LEAST 10 YEARS BEFORE FULL
INTEGRATION.) OUR CONTACTS NOTE THAT, AS IS THE CASE
WITH SPAIN, THE TIME FOR GENERAL TALK IS OVER; NOW IS
THE TIME FOR DIFFICULT SUBSTANTIAL DISCUSSIONS.

-- PORTUGUESE FINANCIAL SITUATION: EANES DID NOT HAVE
ANY FINANCIAL PEOPLE IN HIS PARTY AND APPARENTLY THERE
WAS LITTLE OR NO DISCUSSION OF THE GERMAN BALANCE OF
PAYMENTS ASSISTANCE TO PORTUGAL (WHICH IS AWAITING AN
IMF AGREEMENT.) THE FRG CONSIDERS THE PORTUGUESE CODE
OF INVESTMENT INADEQUATE AND ENCOURAGED EANES TO MOVE
TOWARD AN INTERNATIONAL OR AT LEAST A BILATERAL AGREE-
MENT. THE GERMAN SIDE UNDERSTOOD THIS WOULD BE A
PRIMARY CONCERN OF THE NEW GOVERNMENT AND THAT THERE
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WAS LITTLE PURPOSE IN DISCUSSION UNTIL THE GOVERNMENT
IS FORMED.

-- FRG CAPITAL AID TO PORTUGAL: GERMAN BILATERAL AID TO
PORTUGAL HAS AVERAGED DM 70 MILLION PER YEAR SINCE
1975. HOWEVER, PORTUGAL IS ONLY NOW BEGINNING TO USE
ITS AID ALLOCATION FOR 1976 AND NO PROGRAMS HAVE BEEN
AGREED ON FOR 1978. IN LIGHT OF EANES' REQUEST FOR
ASSISTANCE IN THE AGRICULTURAL SECTOR (BELOW), IT IS
LIKELY THAT A SUBSTANTIAL PART OF 1978 FUNDS WILL GO
FOR FISHING OR FOR FARMING PROJECTS.

-- AGRICULTURE: IN EANES' VIEW, PORTUGAL HAS GREAT
POTENTIAL IN THE AREAS OF FOOD PRODUCTION BUT WILL NEED
EC ASSISTANCE IN ORDER TO ACHIEVE ITS GOALS. HE
SPECIFICALLY MENTIONED THE NEED FOR AID TO PORTUGAL'S
FISHING INDUSTRY. THE GERMAN SIDE OFFERED TO
CONSIDER HIS REQUEST IN THE CONTEXT OF ITS 1978 AID
ALLOCATION AND RECOMMENDED THAT DETAILED TALKS BE
CONDUCTED BY THE RESPECTIVE AGRICULTURAL MINISTRIES.

-- PORTUGUESE WORKERS: EANES WAS CONCERNED THAT ONE
OF THE EFFECTS OF FRG ATTEMPTS TO CUT ITS OWN
UNEMPLOYMENT PROBLEM MIGHT BE A FLOOD OF PORTUGUESE
WORKERS FROM GERMANY RETURNING HOME. HE ASKED THAT THE
FRG ACCEPT MORE PORTUGUESE; IF THIS WOULD NOT BE

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POSSIBLE, HE REQUESTED THAT THERE BE AT LEAST NO CHANGE
IN FRG POLICY ON THIS POINT. PORTUGAL CAN ILL AFFORD
ADDITIONS TO ITS UNEMPLOYMENT ROLLS. CHANCELLOR SCHMIDT
ASSURED HIM THAT HIS REQUEST WOULD BE CONSIDERED IN A
POSITIVE WAY. (THERE ARE APPROXIMATELY 60,000
PORTUGUESE WORKERS IN THE FRG. THE RATE OF UNEMPLOY-
MENT AMONG THESE WORKERS IS LESS THAN 4 PERCENT,
SIGNIFICANTLY BELOW THE RATE FOR THE GENERAL LABOR
FORCE.)

-- AFRICA: SURPRISINGLY, EANES SEEMED TO HAVE NO
INTEREST IN DISCUSSING EVENTS IN THE HORN AND SOUTHERN
AFRICA. ANGOLA WAS MENTIONED ONLY BRIEFLY. NETO,
EANES SAID, DESPERATELY WANTS AND NEEDS WESTERN
CONTACTS TO BALANCE SOVIET AND CUBAN INFLUENCE AND THE
WEST MUST NOT REMAIN DEAF TO HIS ENTREATIES.

6. ACCORDING TO OUR CONTACTS, THE TALKS WERE OPEN AND
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FRIENDLY THROUGHOUT AND THE GERMAN SIDE WAS QUITE
SATISFIED WITH THE RESULTS. THE ONLY DISAPPOINTMENT
WAS THAT THE DISCUSSIONS WERE NOT MORE CONCRETE.
HOWEVER, GIVEN PORTUGAL'S
INTERNAL SCENE, EANES' INABILITY TO BE MORE SPECIFIC
WAS TOTALLY UNDERSTOOD.

7. PLANS FOR FUTURE HIGH-LEVEL CONTACTS WERE LEFT
OPEN, PENDING THE INSTALLATION OF A NEW GOVERNMENT IN
LISBON. NEVERTHELESS, THE FRG PLANS TO MAKE EARLY
CONTACT AT AN APPROPRIATE LEVEL WITH WHATEVER NEW
GOVERNMENT EMERGES.
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